Akin Gump
STRAUSS HAUER & FELD LLP
IP Newsflash

07.25.14

FEDERAL CIRCUIT CASES

Federal Circuit Finds District Court Erred in Refusing to Consider Evidence Pertinent to Determination of Priority Even Though the Evidence was Not Presented to the Board of Patent Appeals and Interferences

The Court vacated and remanded the district court's decision affirming the order of the Board of Patent Appeals and Interferences (Board) cancelling all claims of Stephen Troy's U.S. Patent No. 7,216,451. In affirming the Board's order, the district court refused to consider an affidavit and deposition submitted by Troy as evidence of reduction to practice on the basis that the evidence was not previously presented to the Board. On appeal, the Federal Circuit found the district court's decision was inconsistent with Supreme Court precedent in *Kappos v. Hyatt*, 132 S. Ct. 1690, 1700-01 (2012). "Based on the Supreme Court's holding in *Hyatt* that there are no limits on the admissibility of evidence in such civil actions except those in the Federal Rules of Evidence and the Federal Rules of Civil Procedure, we conclude that new evidence on new issues is admissible in such proceedings." "We find it impossible to reconcile the limitation on evidence that Samson and the PTO seek with the Supreme Court's unequivocal language, analysis, and holding in *Hyatt*." "Turning to the case before us, we vacate the district court's decision and remand with instructions to consider the new evidence and arguments raised by Mr. Troy in his district court filings."

Troy v. Samson Manufacturing Corp., 2013-1565, Decided July 11, 2014.

- *Author*: Marwan Elrakabawy

Federal Circuit Applies *Fresenius* to Vacate District Court's Injunction and Contempt Finding Following PTO's Invalidation of Underlying Patent Claims

The Federal Circuit vacated a district court's modified injunction and subsequent contempt orders that were pending appeal in light of the PTO's reexamination decision cancelling the underlying claim that provided the basis of the injunction. In 2009, ePlus sued defendant Lawson on its '172 and '683 patents relating to methods and systems for electronic sourcing. The jury found certain configurations of Lawson's software infringed both patents and the court entered a permanent injunction against Lawson. On appeal, the Federal Circuit found some of the asserted claims were either invalid or not infringed, but affirmed infringement of claim 26 of the '683 patent. That court remanded for the district court to consider what changes are required to the terms of the injunction. On remand, the district court modified the injunction by deleting one configuration of Lawson's software from the scope of the injunction. ePlus also moved for contempt arguing that Lawson's redesigned products were no more than colorably different and infringed its '683 patent. The district court agreed and ordered Lawson to pay a compensatory fine of $18 million as well as coercive daily fines. While Lawson's appeal of the contempt finding was pending, the Federal Circuit affirmed the PTO's decision invalidating claim 26 of the '683 patent.

In deciding Lawson's appeal, the Federal Circuit held that there was no longer any legal basis to enjoin Lawson's conduct based on rights that claim 26 of the '683 patent previously conferred. Vacating the injunction and contempt finding, the court noted that "this case is not distinguishable on the ground that the injunction has been set aside as the result of the PTO proceeding rather than a court judgment." Applying *Fresenius*, where "the cancellation of the patent precluded the patentee from recovering damages," the court held that "similarly, here the civil contempt sanctions must be set aside." The court thus vacated the compensatory award for the violation of the injunction without deciding whether Lawson's redesigned products were colorably different.

Judge O'Malley issued a sharp dissent arguing once again that Fresenius was wrongly decided, and further, could not be applied to relieve Lawson of all penalties for having violated an injunction during the four years it was in place before the PTO's cancellation of the claims. The Supreme Court recently denied *certiorari in Fresenius*.

Eplus, Inc. V. Lawson Software, Inc., No. 2013-1506 (Fed. Cir. July 25, 2014) [Prost, Dyk (author), O'Malley (dissent)].

- *Author*: Manoj Gandhi

CONTACT INFORMATION

If you have any questions regarding this issue of *IP Newsflash,* please contact–

Michael Simons
msimons@akingump.com

Sanford Warren
swarren@akingump.com

512.499.6253 214.969.2877